



Governor's SFY 2016-2017 Biennial Budget Recommendations for the Department of Social Services

Presentation to the Legislative Appropriations Committee

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Friday, February 27, 2015



- DSS Highlights
- DSS Budget Overview
- Overarching Budget Strategies
- Medicaid Overview
- Medicaid Budget Changes
- Economic Security Budget Changes
- Community Grant Budget Changes
- Other Budget Adjustments
- Infrastructure Investments



- **Serves** more than **950,000** state residents
- **Supports basic needs** of children, families, elders & other adults, including persons with disabilities, through economic aid, health services, social work services, child support, energy aid, elderly protective services, and other programs
- **Covers health care** for over 730,000 residents through HUSKY Health/Medicaid & other programs
- Helps over 400,000 residents with federal **Supplemental Nutrition Assistance Program** (food stamps) benefits



■ Medicaid

- As of October 2014, **92.21%** of Medicaid applications (excluding those for long term services and supports) were processed within federal timeliness standards (45 days for most applications; 90 days for those based on disability).
- As of October 2014, **92.35%** of Medicaid long term services and supports applications were either processed within the appropriate federal timeliness standards or remained pending for good cause reasons, such as waiting for applicants to provide verifications.

■ SNAP

- From October 2013 – March 2014, Connecticut was last among the Northeast Region for SNAP Timeliness. During April - September 2014, Connecticut moved to third place.
- SNAP rolling timeliness rate was at 55% in December 2013. As of September 2014 this improved to 83.25%.
- The CT SNAP Payment Error Rate needed to be below 6% for FY 2014. As of January 2014, the SNAP Payment Error Rate was at 8.85%. At the end of FY 2014, the CT SNAP Payment Error Rate was 5.68%.
- The cumulative negative error rate started at 56.79% in October 2013. This was reduced to 39.52% by September 2014.
- The backlog of unprocessed SNAP Applications, Renewals, and Changes has been eliminated.



- Successfully transitioned Medicaid and the Children's Health Insurance Program (CHIP) from primarily for-profit managed care contractors to a streamlined data driven administrative-services system, bringing service enhancements and economies, including a 54% increase in primary care providers, 28% increase in specialists, 12.7% increase in dentists, reduced emergency department usage and a reduced per member/per month cost.
- Developed quality initiatives in Medicaid, including Person-Centered Medical Homes, Intensive Care Management (reducing inpatient admissions for participants by 52% and emergency department use by 19% in CY 2013), tobacco cessation incentives, health equity review, and prevention strategies.



- Helped facilitate Connecticut's Medicaid expansion under the national Affordable Care Act, extending health coverage to 76,000 additional low-income adults without dependent children since January 2014, for a total of about 169,000, while leading DSS coordination with Access Health CT.
- Deployed a modernized application process that has digitized over 7.5 million incoming documents and for the first-time offers online options for applicants and clients.
- Launched planning and development of a new integrated eligibility management system to replace the agency's 1980s-era eligibility system, utilizing 90% federal funding.



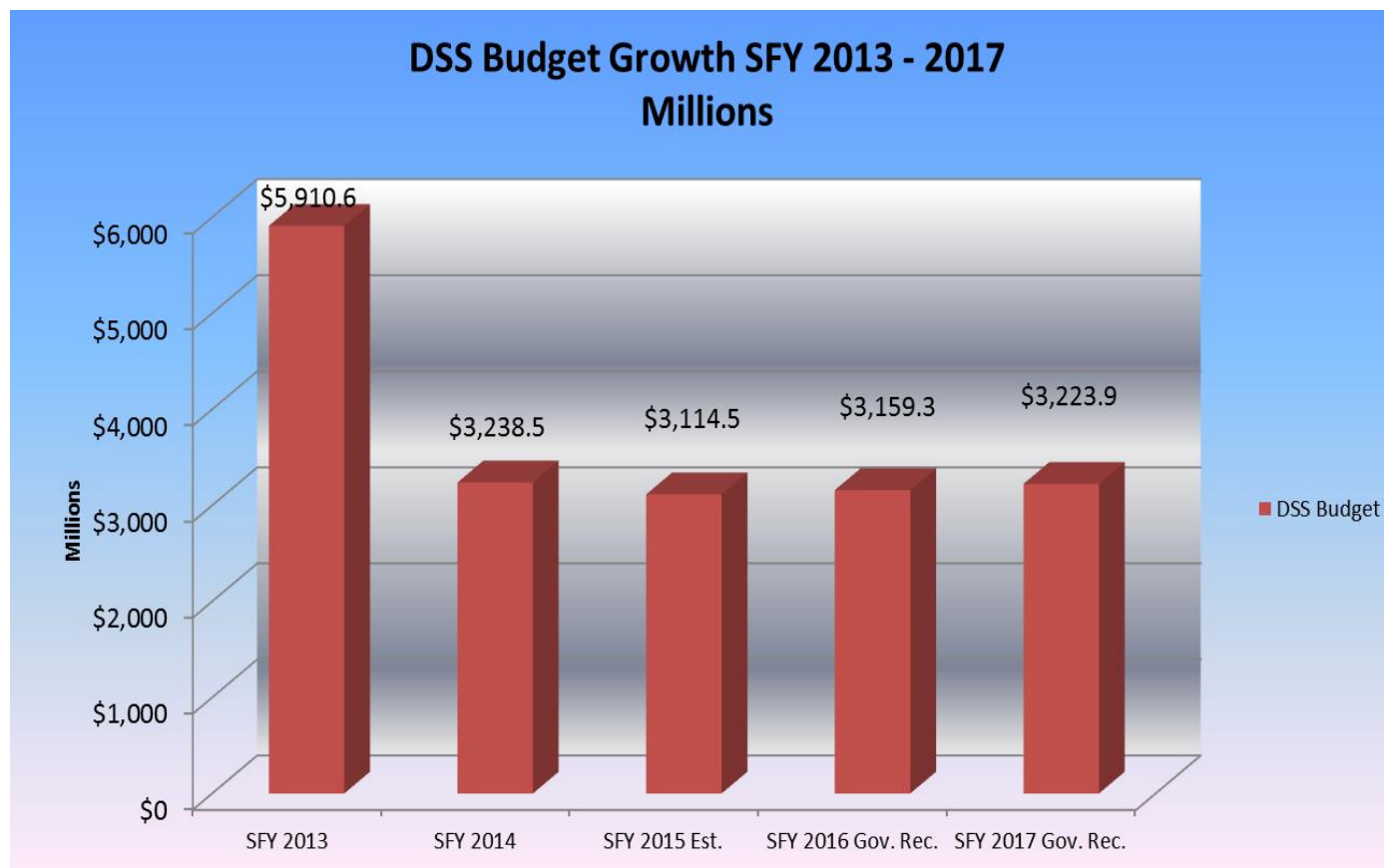
- Built agency capacity that has enabled service to over 400,000 Connecticut residents eligible for the federal Supplemental Nutrition Assistance Program and over 730,000 eligible for Medicaid and HUSKY B, among other services.
- Expanded home-care services and development of Connecticut's Strategic Plan to Rebalance Long-Term Services and Supports.
- Launched 24/7 online and interactive voice-response system access for clients, as well as online application and change reporting.



- Replaced a broken system of zero-to-poor phone access to DSS staff with a statewide toll-free number with access to interactive voice-response system and Benefits Centers staffed by eligibility workers. While call wait times need to be reduced, over 30,000 callers per month are served by workers (nearly 750,000 total since July 2013). Hundreds of thousands more callers have been able to access information without the intervention of workers, including after hours, on weekends and during times when offices are closed and workers unavailable.

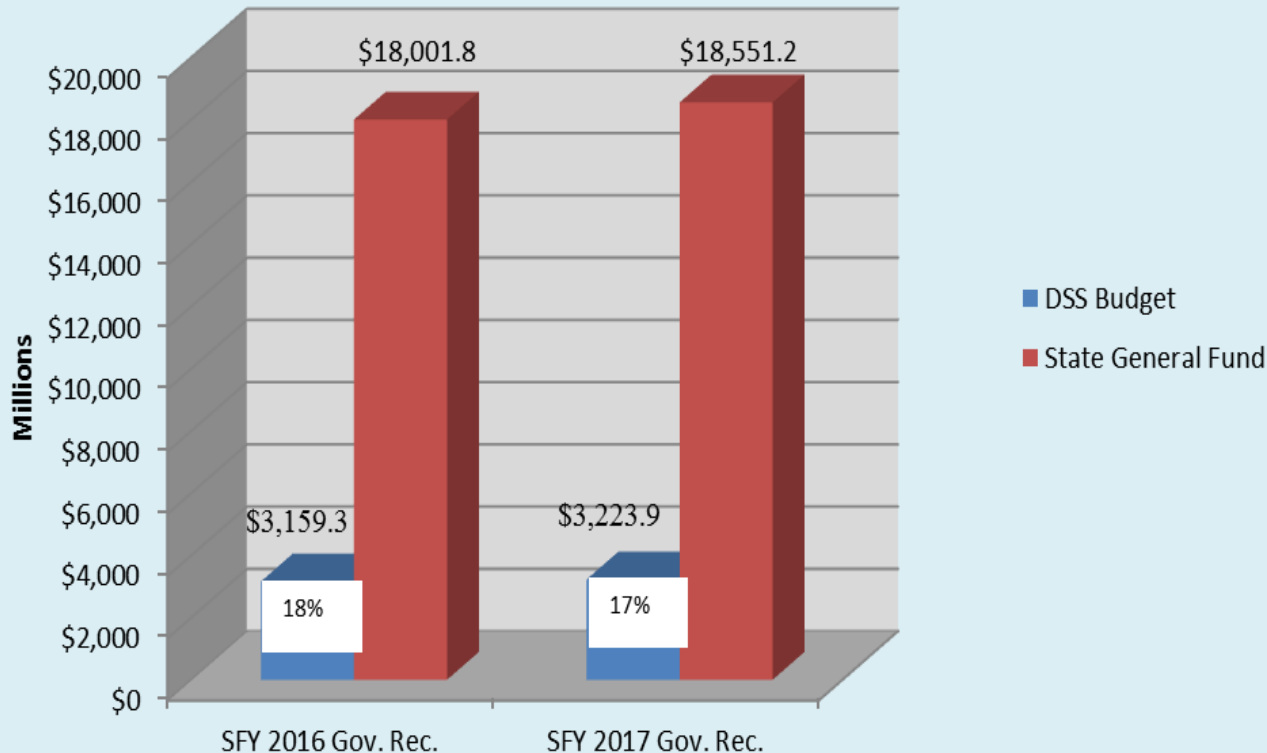
- The Governor's budget recommendation includes \$3.159 billion for DSS in SFY 2016, which represents an increase of \$45 million, or 1.4%, above SFY 2015 estimates.
- For SFY 2017, the Governor's recommendation includes \$3.224 billion, an increase of \$65 million, or 2.1%, above SFY 2016 levels.

- The Governor's biennial budget recommends DSS budget growth of 1.4% and 2.1% in SFY 2016 and 2017 respectively.



Funding levels for SFY 2014 through 2017 reflect the impact of the net funding of Medicaid.

DSS Budget Compared to State Budget
SFY 2016-SFY 2017 (Millions)



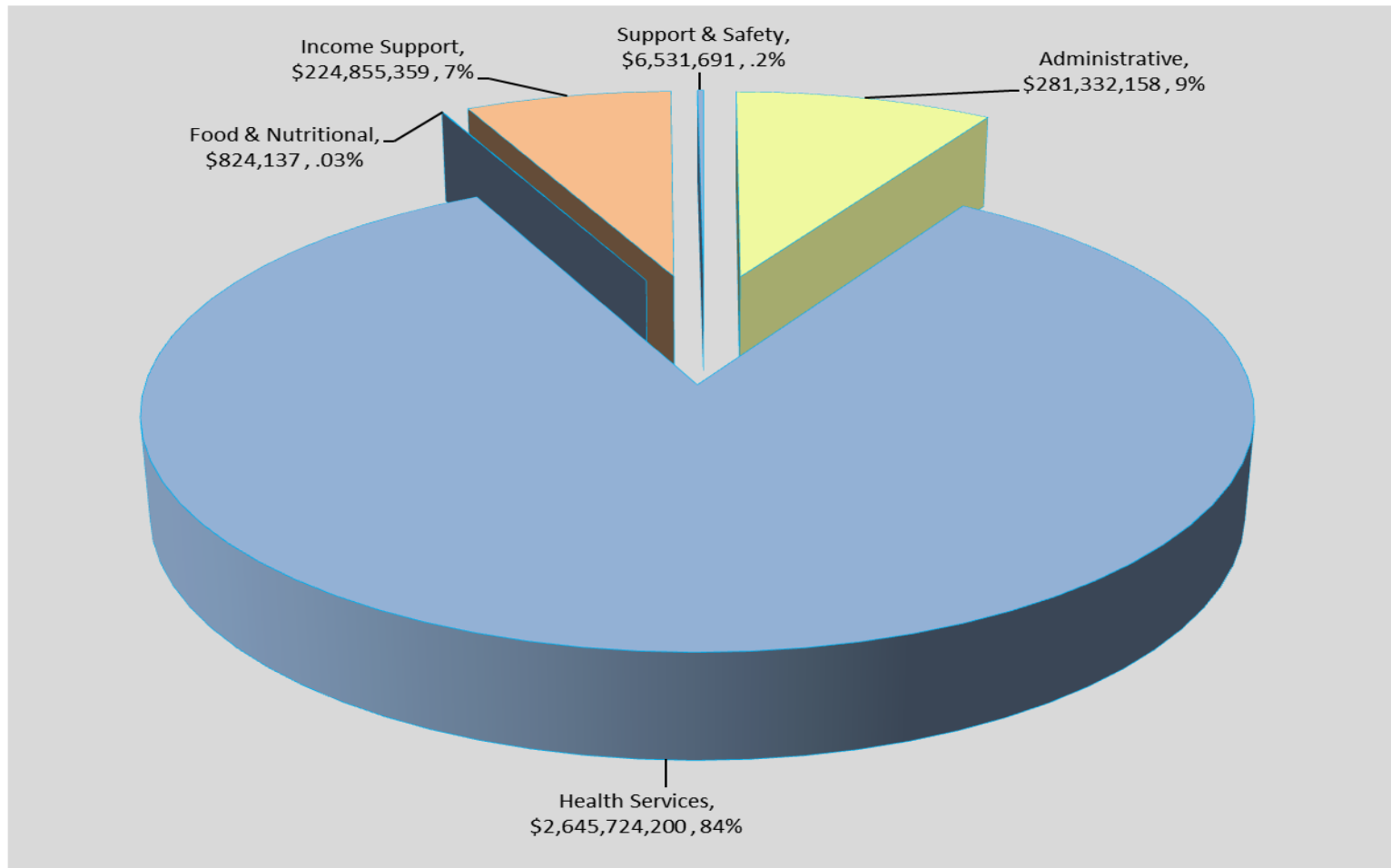
The DSS budget as a percentage of the State General Fund budget is approximately 18% in SFY 2016 and 17% in SFY 2017.



- It is important to note that DSS expenditures are supported by federal reimbursement, and in the case of Medicaid program services, this reimbursement directly funds the federal share of those services (“net funding”).
- Federal funding to support DSS programs provides reimbursement of approximately \$4.0 billion.
- This does not include over \$700 million in SNAP benefits which are not a part of our budget but which we distribute for the federal government.

- The proportion of the DSS General Fund budget directed to health services is 84.1% in SFY 2016 and 2017.
- Administrative and field operation expenses account for 8.9% of our General Fund expenses in SFY 2016 and 2017. If the federal share of Medicaid was included, this percentage would decrease to 4.2%.
- The share of the DSS budget for income support, including our Temporary Family Assistance, State Supplement, and SAGA Cash Assistance, is 7.0% in SFY 2016 and 2017.

SFY 2016 Governor's Recommended Budget by DSS Core Programs





- While the Governor's budget recommendations recognize the difficult challenges facing the State, it continues support for several of the Department's key strategies:
 - Supporting an Administrative Services Organization (ASO) structure to manage medical, behavioral health, dental, and non-emergency medical transportation (NEMT);
 - Fostering the use of preventive, primary care;
 - Facilitating the shift from institutional to home and community-based services;

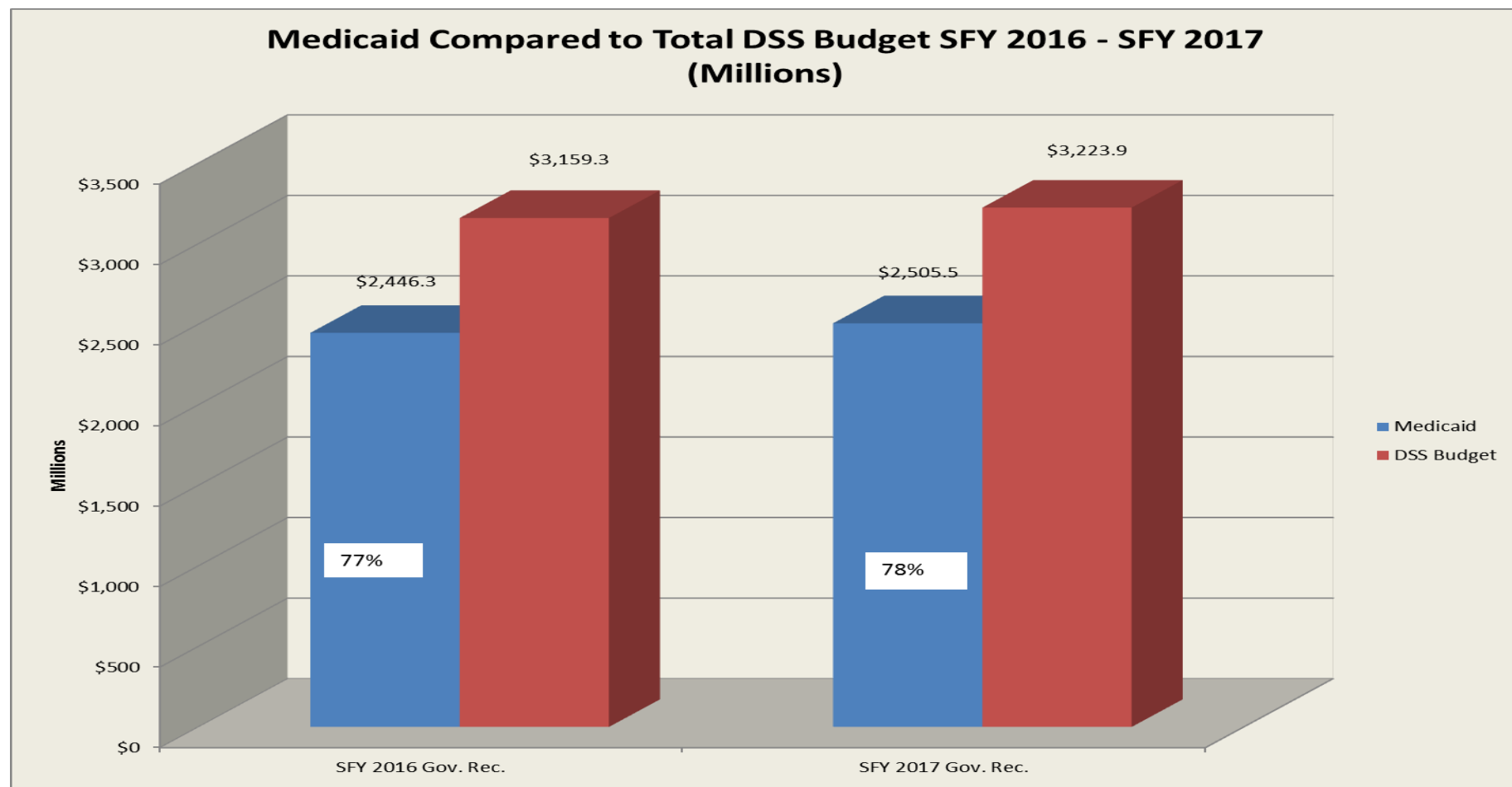


- Supporting investments in coverage and services made under the provisions of the Affordable Care Act (ACA);
- Continuing investment in infrastructure associated with ImpaCT, our upcoming fully modernized integrated eligibility system, as well as other systems projects; and
- Supporting operating expenses associated with the Access Health CT program, in recognition of its role in expanding coverage to individuals and families under Medicaid.

- The Department's Medicaid and HUSKY B programs provide health coverage to over 730,000, or approximately one in every four, of our State's citizens.
- Expenditures for Medicaid, including both the federal contribution and the State appropriation, are approximately \$6 billion.
- The following slides present a broader overview of our Medicaid program before we discuss the recommended changes in more detail.



The General Fund budget for Medicaid represents almost 77% of the total DSS budget in SFY 2016 and 78% in SFY 2017.



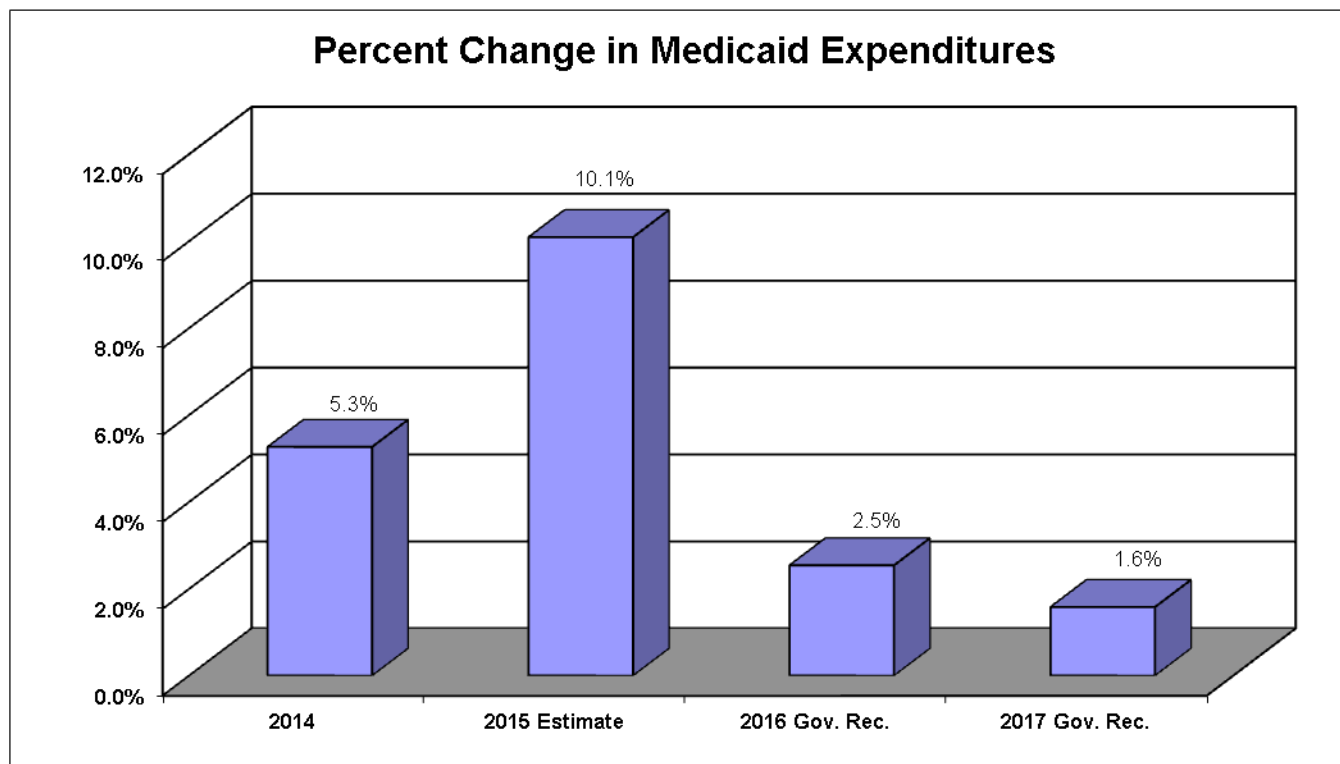


- Beginning in SFY 2014, the Legislature directed the Department to implement “net funding” of Medicaid.
- Prior to that year, the full costs of Medicaid were budgeted under the General Fund, including both the federal and the State share of the costs of the program.
- Under the prior arrangement, federal reimbursement received was deposited directly to State General Fund revenue.



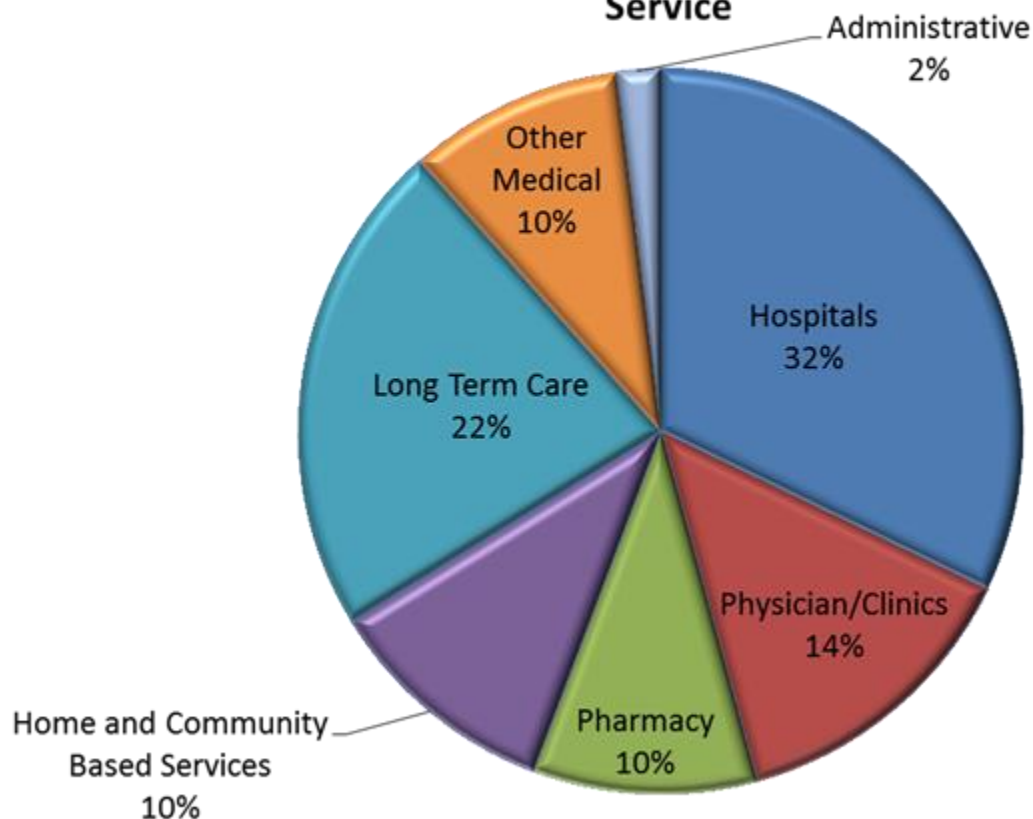
- The Department now supports the federal share of the program by placing the federal reimbursement related to the DSS Medicaid program in a dedicated account.
- The General Fund appropriation and the new dedicated federal account pay for the State and federal share of costs, respectively.
- The Department continues to report expenses in aggregate to ensure transparency and to allow for an accurate assessment of costs for the total program.

- When considering both the federal and State share, Medicaid expenditures are increasing based upon caseload growth, with stable trends in per person costs.



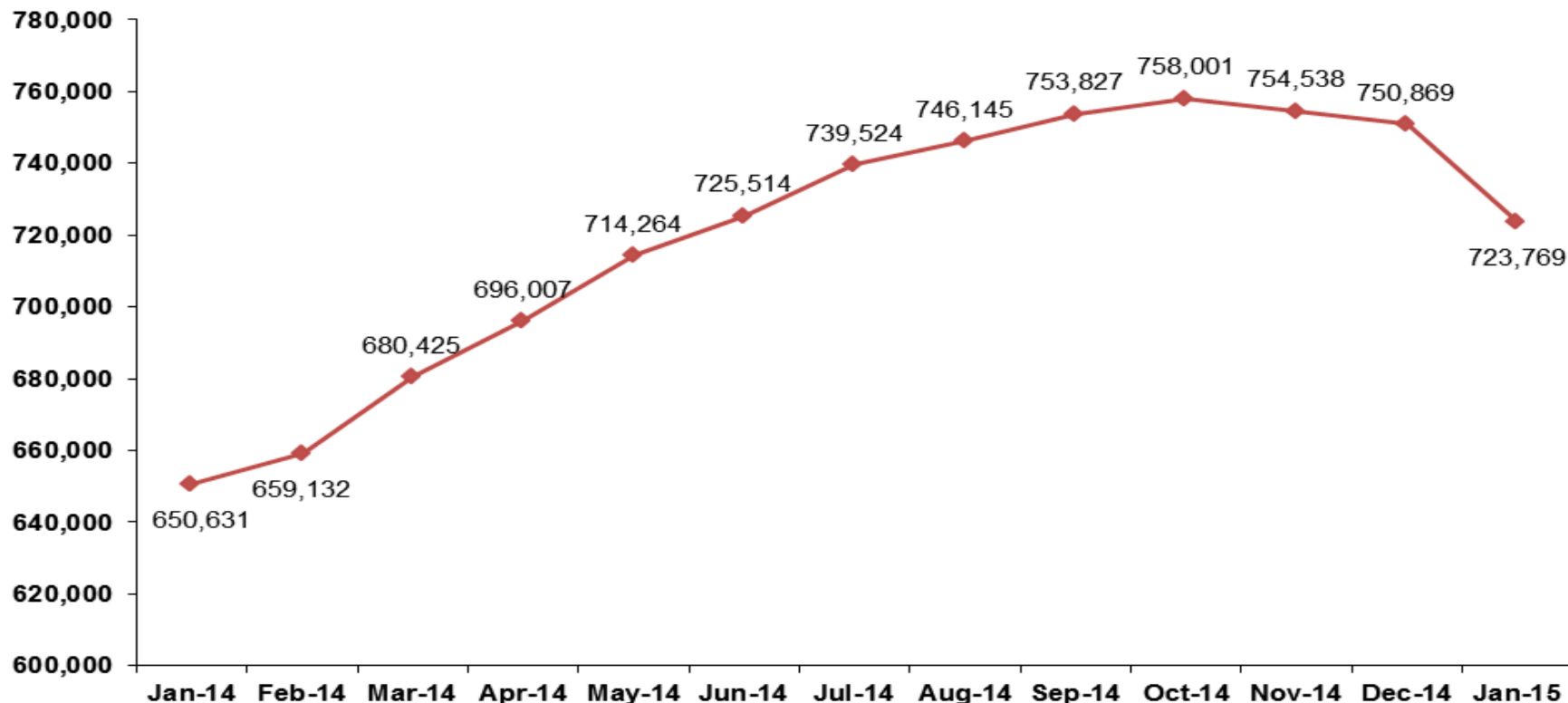
Figures are adjusted for one-time DSH transfer in SFY 2014 and include both the State and federal share of the program.

SFY 2016 Governors Recommended Medicaid Appropriation By Category of Service



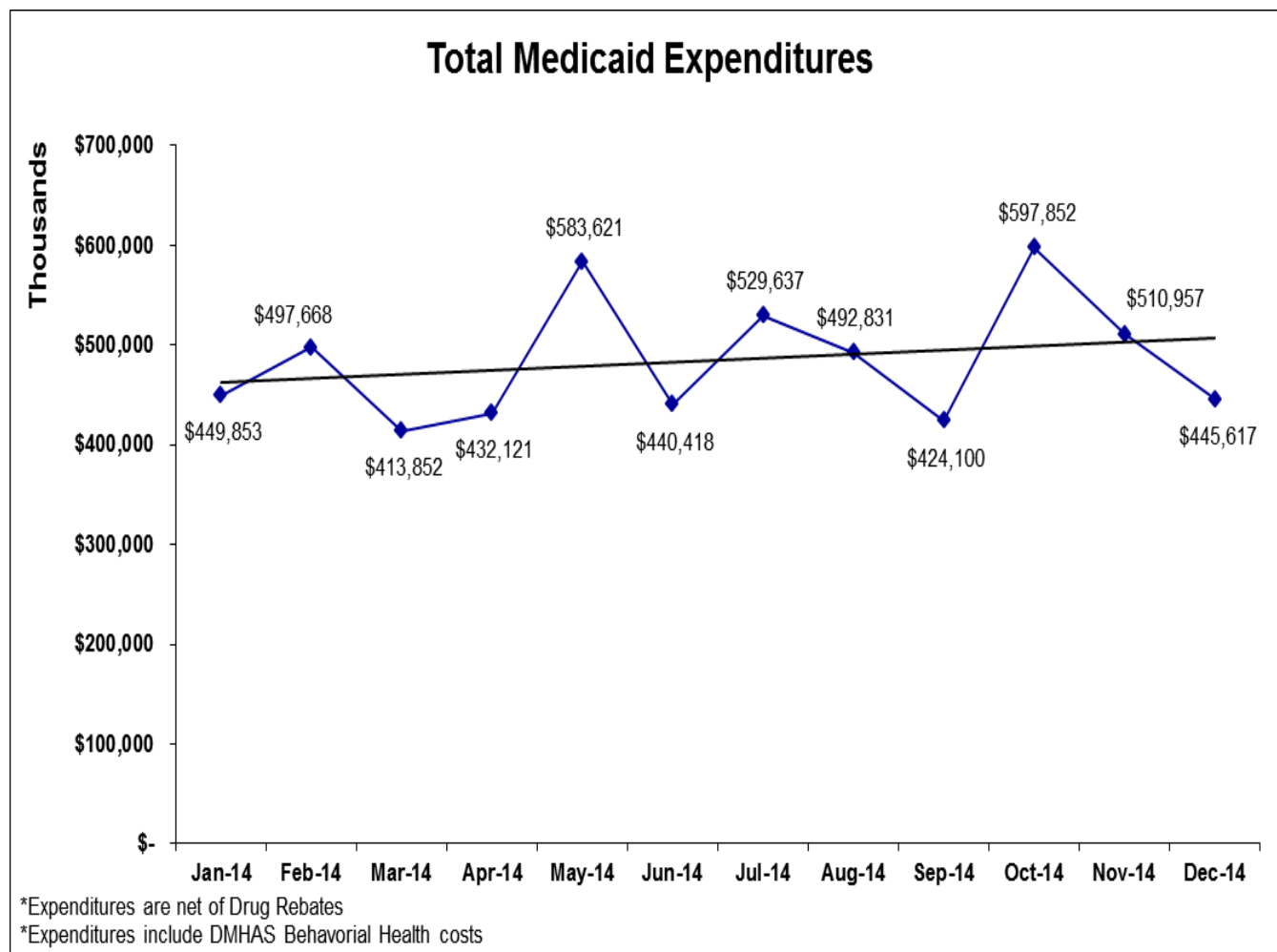
Includes both
the federal
and State
share of
expenses

Total Medicaid Enrollment



*Enrollment data is from the Active Medical Assistance Coverage Groups Eligibility Report - DMF 80261

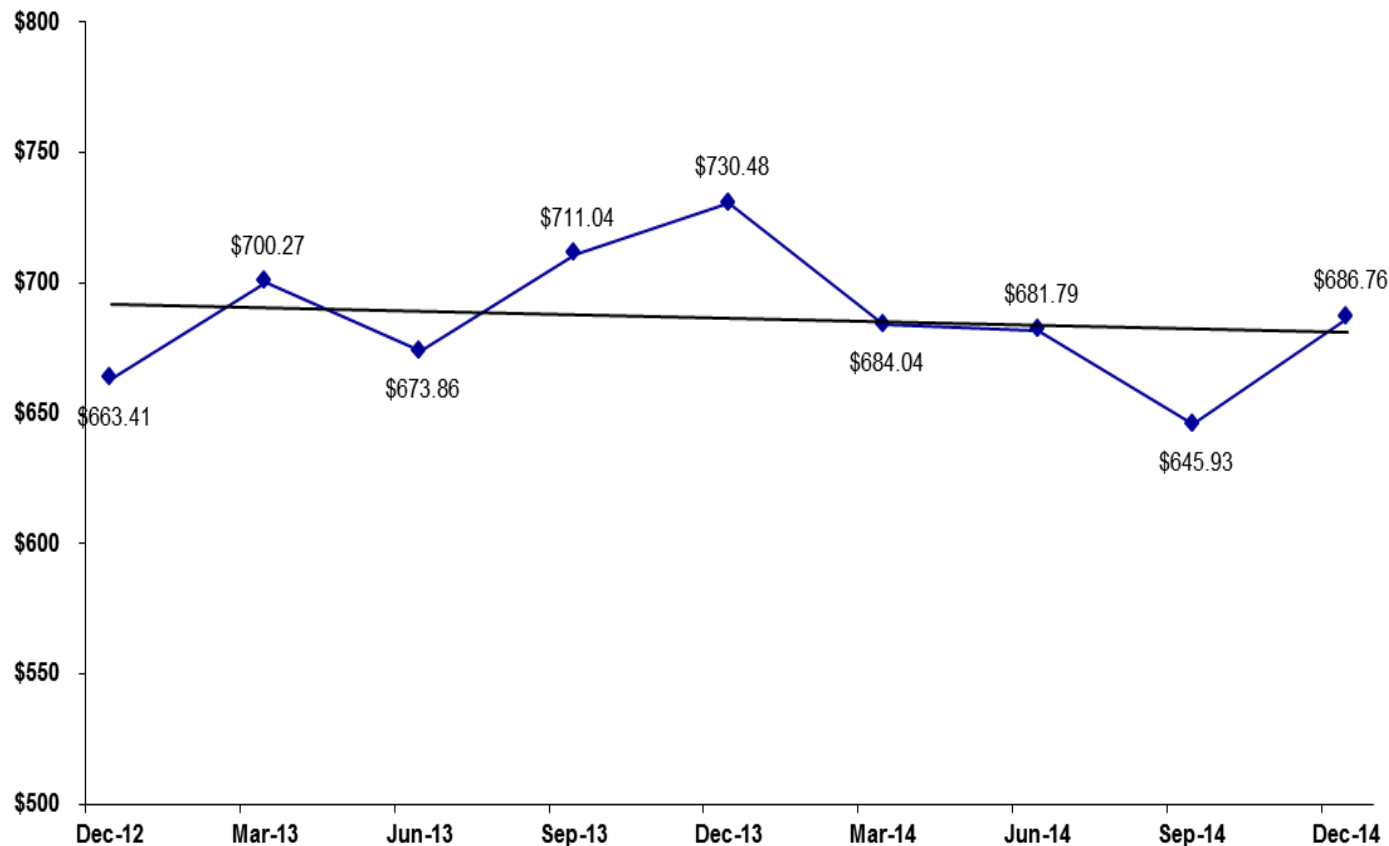
Medicaid caseloads rose at a 9.8% pace over the most recent 12 month period, up from the 2.1% pace of calendar year 2013.



While caseloads have continued to rise, overall Medicaid expenditures were relatively stable in calendar year 2014.

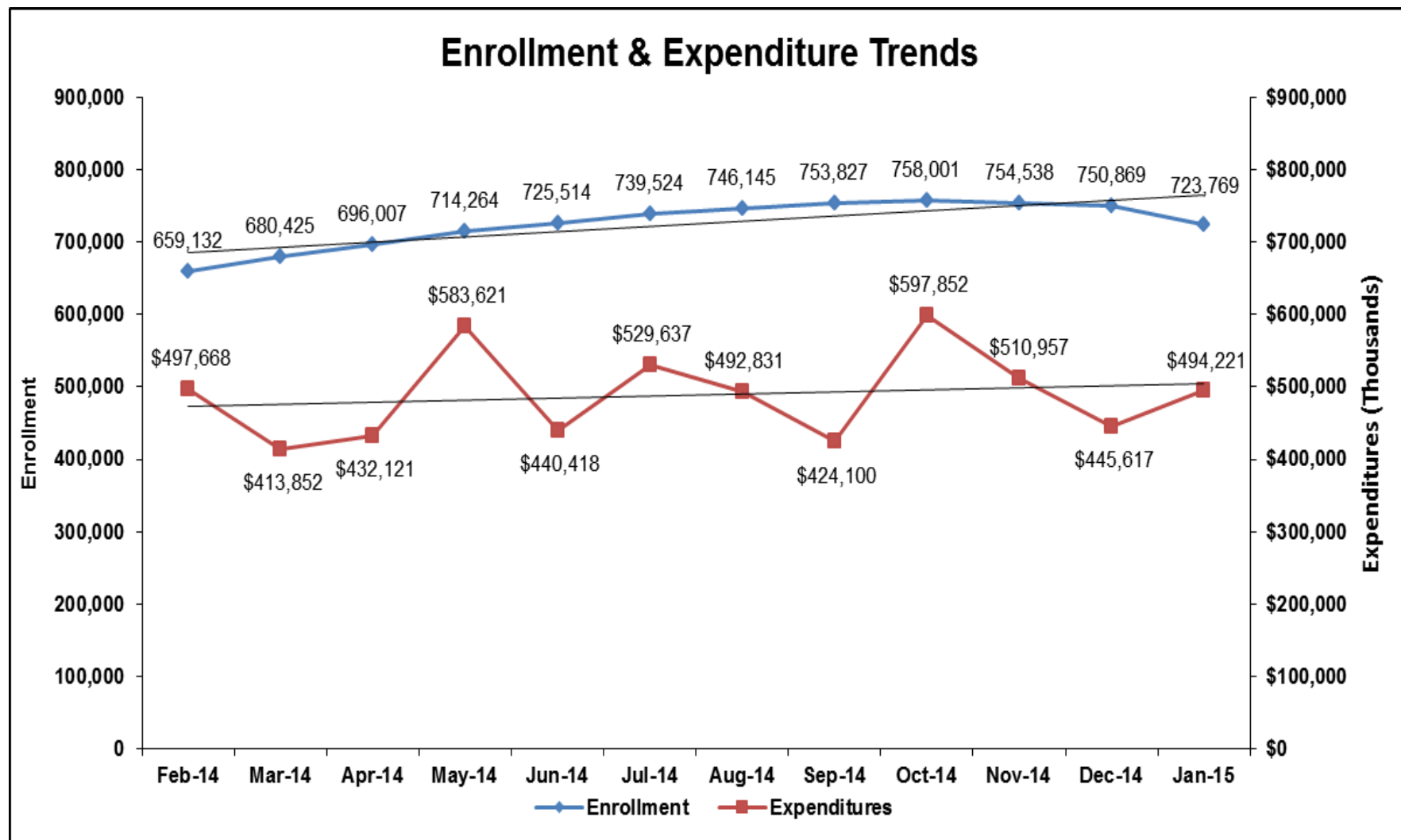
NOTE: Includes both State and federal shares. Monthly variations in expenditures can be attributed to differences in the number of claims processing days in a given month, as well as payment adjustments.

Total Medicaid Quarterly PMPM



While caseloads have continued to rise, the overall Medicaid PMPM has been relatively stable. The annual average PMPM actually decreased 4.2% from CY 2013 to CY 2014.

*Data includes both federal and State shares





- Given the availability of coverage for HUSKY A adults with incomes above 138% of the federal poverty level through Access Health CT, the Governor's recommended budget proposes to limit Medicaid eligibility to those under the 138% threshold.
- Upon full implementation, this change is estimated to impact approximately 34,200 individuals.
- This change is expected to save the State \$44.6 million and \$82.1 million in SFY 2016 and 2017 respectively.



- The Governor's recommended budget includes changes in reimbursement across a wide array of services.
- The largest of these is a provider rate reduction with an expected State savings of \$43 and \$47 million in SFY 2016 and 2017 respectively.
 - This reduction is not specified, however, FQHC's are excluded and it is not expected that recent primary care rate increases will be affected.
 - The Department has been given the discretion of determining the composition of this proposed reduction.



- The Governor's recommended budget also includes the following rate adjustments:
 - Reduction of medication administration reimbursement for a State savings of \$10 million in each year of the biennium. This reduction is made in recognition of the difficulties in achieving savings of a similar magnitude that was budgeted previously.
 - Elimination of inflationary adjustments for long term care facilities, including nursing homes, for a State savings of \$6.9 and \$17.8 million in SFY 2016 and 2017 respectively. The current services budget included rate adjustments estimated at 1.2% in SFY 2016 and 1.8% in SFY 2017 for nursing homes.



- The Governor's recommended budget includes the removal of funding to support the federal demonstration to integrate care for dually eligible clients for a State savings of \$10.5 and \$15.0 million in SFY 2016 and 2017 respectively.
- The duals demonstration was designed to promote practice transformation, facilitate person-centered team-based care, and create a payment system designed to promote value.
- This funding adjustment is a reflection of the difficult financial challenges facing the State.

- The Governor's recommended budget includes the following reimbursement adjustments:
 - Reduction of the reimbursement for brand name drugs from AWP minus 16% to AWP minus 18% for a State savings of \$5.4 and \$5.9 million in SFY 2016 and 2017 respectively.
 - Reduction of the dispensing fee for prescriptions from \$1.70 to \$1.40 for a State savings of \$0.8 and \$0.9 million in SFY 2016 and 2017 respectively.
 - Current statute requires DSS to limit reimbursement to Medicaid providers for Medicare coinsurance and deductibles such that the combined Medicare and Medicaid payment does not exceed the maximum Medicaid fee. The exemption for ambulance services is removed, resulting in a State savings of \$4.3 and \$5.1 million in SFY 2016 and 2017 respectively.

- Other major adjustments in the Governor's recommended budget includes the following:
 - Removal of the low cost hospital supplemental pool, resulting in a State savings of \$5.1 million in each year of the biennium.
 - Reduction in the Personal Needs Allowance for individuals in long term care facilities from \$60 to \$50 per month for a State savings of \$1.0 and \$1.1 million in SFY 2016 and 2017 respectively.
 - Elimination of the limited adult chiropractic services benefit (\$250,000 each year) and payment of Medicare Part D copays for dually eligible clients (State savings of \$80,000 in 2016 and \$90,000 in 2017)



- The Medicaid funding and claiming functions related to the Birth to Three program are transferred to the Department. Previously these services were budgeted under the Department of Developmental Disabilities (transfer of \$7.25 million State share).
- Community Health Center grants funded under the Department of Public Health are recommended for transfer to the Department's Medicaid account, allowing the State to access federal reimbursement (transfer of \$1.75 million State share)

- The Governor's Recommended Budget also includes an increase in the hospital user fee based upon (1) updating the user fee base to 2013 data and (2) equalizing the rates between inpatient and outpatient.
- The increased revenue will be used to increase hospital supplemental payments by a comparable amount, with these new payments now subject to federal reimbursement.
- The corresponding revenue gain to the State from this federal reimbursement is estimated at \$110 million in each year of the biennium.

- The Governor's recommended budget also includes several changes that are required to help reduce the SFY 2015 shortfall. A list of these items is included below:
 - Expand prior authorization to all home health and therapy services
 - Adjust rehabilitation clinic rates to 95% of the Medicare rate
 - Adjust fees for certain lab, x-rays and screening mammography services
 - Revise NEMT reimbursement for standing order trips
 - Revise reimbursement for physician radiology

- Update the durable medical equipment fee schedule
 - Adjust bitewing x-rays to once per year for children
 - Adjust coverage of orthodontia to medically necessary services
 - Revise reimbursement for dentoalveolar surgery
 - Revise rates for obstetrical services
 - Retain enhanced HUSKY D federal reimbursement for hospital supplemental payments
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- In total, these changes are estimated to reduce the current year deficiency by over \$30 million.



- The Governor's proposed biennial budget includes two changes to the Connecticut Home Care Program. The first involves increasing the client cost sharing under the program from the current 7% to 15%. This change is estimated to save \$2.8 and \$3.0 million in SFY 2016 and 2017 respectively.
- The second recommended change to the Home Care Program proposes to freeze intake for Category 1 clients who represent the lowest assessed level of need under the program. This change is estimated to save \$1.8 and \$5.6 million in SFY 2016 and 2017 respectively.



- Our economic security programs include services such as Temporary Family Assistance, Aid to the Aged, Blind and Disabled (AABD) programs, and State Administered General Assistance.
- The Governor's recommended budget removes the inflationary increases for these programs, including the pass through of the federal Social Security increase for AABD clients and the removal of the boarding home rate increase. Cost of living increases of 1.7% in SFY 2016 and 1.5% in SFY 2017 were projected in current services, as was a 2.0% increase in boarding home rates. The removal of these increases results in a savings of \$5.9 and \$11.7 million in SFY 2016 and 2017 respectively.



- The Governor's recommended budget reduces the burial benefit paid for indigent individuals from the current \$1,800 maximum level to \$1,000 to more closely match burial payments in neighboring states. This results in a savings of \$1.7 million in both years of the biennium.



■ The Governor's recommended budget eliminates and reduces many of our grants with our community providers. These changes reflect the very dire budget situation and the difficult choices faced by the State.

■ Programs eliminated include:

- Human Services Infrastructure/Community Action (federal funds remain)
- Human Resource Development – Hispanic
- Teen Pregnancy Prevention
- Fatherhood Initiative
- Healthy Start
- HUSKY Performance Monitoring

- In addition to the elimination of the prior accounts, several other recommended changes include:
 - Elimination of advocacy funding
 - Elimination of the Family Support Grant program
 - Reductions in federal funding for several programs and a reallocation of those funds to other areas
 - Continuation of the 5% rescissions with, in many cases, an additional 10% reduction
 - Reallocation of funding from DSS to DOT to support bus routes funded under the Transportation for Employment Independence grant



The Governor's recommended budget proposes other operational reductions that I would also like to note.

- The recommended elimination of the Torrington office is expected to save \$1.4 and \$1.6 million in SFY 2016 and 2017 respectively. I am particularly grateful for the provision of this closure that will allow the Department to maintain these staff through the use of future vacancies.
- There is a reduction in Other Expenses to acknowledge an efficiency in the entry of MAGI applications into the DSS eligibility system for an annual savings of \$3.6 million

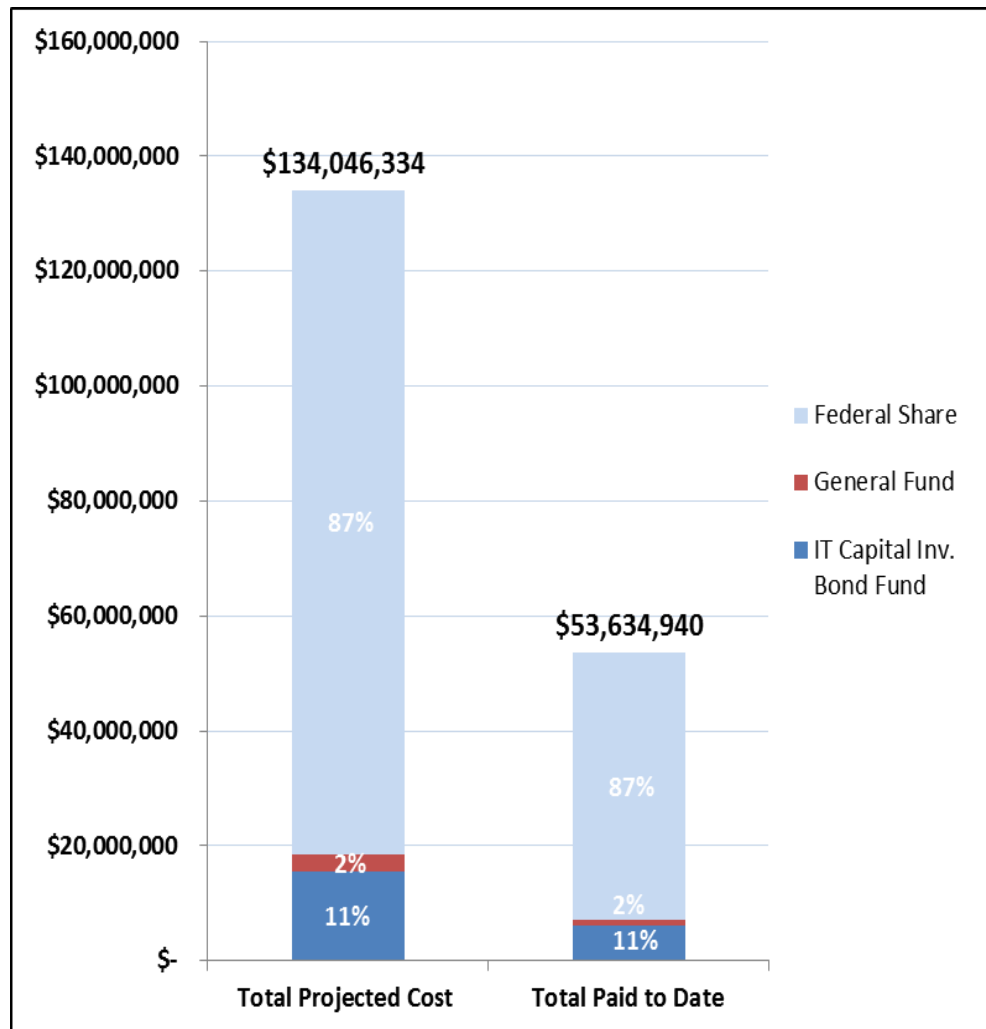


I would like to note that the Governor's biennial budget recommendation supports infrastructure investments in several key areas:

- ImpaCT development and operational support (Eligibility Management System replacement)
- Access Health CT operational support
- Balancing Incentive Program system support
- Health Information Technology support



- The Department is appreciative of the continued efforts to support our IT investments through a variety of funding sources including:
 - Use of the IT Capital Investment Fund
 - Utilizing the Federal Share of Project Expenses
 - Capital Equipment Purchase Fund Allocations
 - General Fund Appropriation - Other Expense Allocations



Total ImpaCT project costs and actuals to date

40% of development costs are fully expended to date

	Total Projected Cost		Total Paid to Date	
IT Capital Inv. Bond Fund	\$	15,397,191	\$	6,183,790
General Fund	\$	3,116,448	\$	1,007,618
Federal Share	\$	115,532,695	\$	46,443,532
Total	\$	134,046,334	\$	53,634,940



ImpaCT will replace difficult to maintain legacy systems collectively known as EMS, streamline eligibility determinations and case management, while allowing the department to continue to meet the requirements of the Affordable Care Act.

- The benefits of the Integrated Eligibility initiative include cost containment and reduction, enhanced quality, improved health outcomes, and increased access to benefits for eligible populations.
- The Governor's budget supports ImpaCT development costs, currently projected at \$26.7 and \$10.9 million in SFY 2016 and 2017 respectively, which qualify for close to 90% federal reimbursement.
- Additional ImpaCT operational costs of approximately \$11 million are also funded in the Governor's Recommended Budget for SFY 2017.



Access Health CT (AHCT) supports health reform efforts that will provide the residents of Connecticut with an enhanced and more coordinated health care experience.

- AHCT and DSS support a single shared eligibility system for HUSKY A, B, and D clients.
- The Governor's biennial budget fully funds the operational costs of this shared service, providing approximately \$36 million in SFY 2016 and 2017 for these expenses.
- The Department just received federal approval of 75% reimbursement for these ongoing operating costs.

Upon full implementation, the Balancing Incentive Program (BIP) system will enable the following enhancements to Connecticut residents seeking long term services and supports:

- 1) an online pre-screen of an applicant's functional status, which will be linked to online information and resources;
- 2) automation of functional and financial eligibility processes for Medicaid;
- 3) automation of a Universal Assessment that will be used across State agencies and contractors to determine clients' functional need for services;
- 4) an online mechanism through which services can be requested from providers (e.g. home health agencies); and
- 5) a consumer portal.

■ The Governor's biennial budget supports the development costs of this system.

- In closing, I would like to acknowledge the challenges we face with this budget. Within the difficult financial constraints we are faced with, please know that both myself and my staff are fully committed to providing the highest level of support for our clients within these constraints.
- At this time, we are available to respond to any questions you may have.

Thank you.